

**RUTHVEN-AYRSHIRE  
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2014**

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## **Ruthven-Ayrshire Community School District**

### **Officials**

<b><u>NAME</u></b>	<b><u>TITLE</u></b>	<b><u>TERM EXPIRES</u></b>
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#### **Board of Education**

*(Before September 2013 Election)*

Barry Fischer	President	2013
Tracey Enderson	Vice President	2015
Larry Conolon	Board Member	2015
Kate Meyer	Board Member	2015
Susan Sikora	Board Member	2013
Tammy Chapman	Board Member	2013
Ray Grandstaff	Board Member	2013

*(After September 2013 Election)*

Susan Sikora	President	2017
Tracey Enderson	Vice President	2015
Larry Conolon	Board Member	2015
Kate Meyer	Board Member	2015
Ray Grandstaff	Board Member	2015
Bruce Long	Board Member	2017
Darin Malm	Board Member	2017

#### **School Officials**

Andrew Woiwood	Superintendent	2015
Michelle Dowd	District Secretary/Treasurer	Indefinite
Steve Avery	Attorney	Indefinite



**SCHNURR & COMPANY, LLP**  
**Certified Public Accountants and Consultants**

**Independent Auditor's Report**

To the Board of Directors of  
Ruthven-Ayrshire Community School District  
Ruthven, Iowa

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ruthven-Ayrshire Community School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ruthven-Ayrshire Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ruthven-Ayrshire Community School District's basic financial statements. We, and other auditors, previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2014 on our consideration of Ruthven-Ayrshire Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ruthven-Ayrshire Community School District's internal control over financial reporting and compliance.

*Schnurr & Company, LLP*

Fort Dodge, Iowa  
December 5, 2014

## **RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Ruthven-Ayrshire Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$3,104,891 in fiscal year 2013 to \$2,988,224 in fiscal year 2014, while General Fund expenditures decreased from \$2,826,801 in fiscal year 2013 to \$2,754,157 in fiscal year 2014. This District's General Fund balance increased from \$622,267 at the end of fiscal year 2013 to \$856,334 at the end of fiscal year 2014, a 37.6% increase.
- The fiscal year 2014 General Fund revenue decrease was attributable to decreases in property tax and federal funding. The decrease in expenditures was due primarily to management budgeting for negotiated salaries and benefits and restricted grant expenditures. One reason the General Fund balance increased is because the negotiated salaries and benefits were greater than the District's decrease in General Fund revenue for fiscal year 2014. As a result, the District saved a portion of the current year General Fund salaries and benefits to carryover in the fund balance.
- Unchanged interest rates during the past three fiscal years, combined with consistent levels of cash available to be invested, resulted in interest earning in the General Fund alone to remain consistent from \$2,128 in fiscal year 2013 to \$2,184 in fiscal year 2014.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Ruthven-Ayrshire Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### USING THIS ANNUAL REPORT (CONTINUED)

#### Reporting the District's Financial Activities

##### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

##### *Fund Financial Statements*

The fund financial statements provide detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### USING THIS ANNUAL REPORT (CONTINUED)

#### Reporting the District's Financial Activities (continued)

##### *Fund Financial Statements (continued)*

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-1 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
<b>Assets</b>							
Current and other assets	\$ 4,013,684	\$ 3,854,749	\$ 19,448	\$ 24,178	\$ 4,033,132	\$ 3,878,927	4.0%
Capital assets	982,107	894,085	21,505	25,209	1,003,612	919,294	9.2%
<b>Total assets</b>	<b>4,995,791</b>	<b>4,748,834</b>	<b>40,953</b>	<b>49,387</b>	<b>5,036,744</b>	<b>4,798,221</b>	<b>5.0%</b>
<b>Liabilities</b>							
Long-term liabilities	316,252	363,342	-	-	316,252	363,342	-13.0%
Other liabilities	327,897	382,000	-	26	327,897	382,026	-14.2%
<b>Total liabilities</b>	<b>644,149</b>	<b>745,342</b>	<b>-</b>	<b>26</b>	<b>644,149</b>	<b>745,368</b>	<b>-13.6%</b>
Deferred inflows of resources	1,311,483	1,496,792	2,432	2,569	1,313,915	1,499,361	-12.4%
<b>Net Position</b>							
Invested in capital assets	982,107	894,085	21,505	25,209	1,003,612	919,294	9.2%
Restricted	1,576,108	1,345,759	-	-	1,576,108	1,345,759	17.1%
Unrestricted	481,944	266,856	17,016	21,583	498,960	288,439	73.0%
<b>Total net position</b>	<b>\$ 3,040,159</b>	<b>\$ 2,506,700</b>	<b>\$ 38,521</b>	<b>\$ 46,792</b>	<b>\$ 3,078,680</b>	<b>\$ 2,553,492</b>	<b>20.6%</b>

The District's total net position increased 20.6%, or approximately \$525,000, from the prior year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$230,000, or 17.1%, over the prior year. The increase was primarily a result of decreased expenditures in the General Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$210,521, or 73.0%.

Figure A-2 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013:

Figure A-2 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
<b>Revenues:</b>							
Program revenues:							
Charges for service	\$ 316,551	\$ 312,667	\$ 48,069	\$ 49,348	\$ 364,620	\$ 362,015	0.7%
Operating grants, contributions	429,115	455,954	66,375	67,609	495,490	523,563	-5.4%
Capital grants & contributions	2,478	55,422	-	-	2,478	55,422	-95.5%
General revenues:							
Property tax	1,655,752	1,633,426	-	-	1,655,752	1,633,426	1.4%
Statewide sales, services and use tax	227,813	211,761	-	-	227,813	211,761	7.6%
Unrestricted state grants	971,788	955,224	-	-	971,788	955,224	
Unrestricted investment earnings	4,338	5,354	2	5	4,340	5,359	-19.0%
Other	23,464	3,351	2,286	-	25,750	3,351	
<b>Total revenues</b>	<b>3,631,299</b>	<b>3,633,159</b>	<b>116,732</b>	<b>116,962</b>	<b>3,748,031</b>	<b>3,750,121</b>	<b>-0.1%</b>
<b>Program expenses:</b>							
Instruction	2,182,681	2,260,407	-	-	2,182,681	2,260,407	-3.4%
Student support services	755,361	766,443	-	-	755,361	766,443	-1.4%
Non-instructional programs	-	-	125,003	118,427	125,003	118,427	5.6%
Other expenses	159,798	153,222	-	-	159,798	153,222	4.3%
<b>Total expenses</b>	<b>3,097,840</b>	<b>3,180,072</b>	<b>125,003</b>	<b>118,427</b>	<b>3,222,843</b>	<b>3,298,499</b>	<b>-2.3%</b>
<b>Increase (decrease) in net assets</b>	<b>533,459</b>	<b>453,087</b>	<b>(8,271)</b>	<b>(1,465)</b>	<b>525,188</b>	<b>451,622</b>	<b>16.3%</b>
Net position beginning of year	2,506,700	2,053,613	46,792	48,257	2,553,492	2,101,870	21.5%
Net position end of year	\$ 3,040,159	\$ 2,506,700	\$ 38,521	\$ 46,792	\$ 3,078,680	\$ 2,553,492	20.6%

In fiscal year 2014, property tax and unrestricted state grants accounted for 72.4% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 98.0% of business type activities revenue. The District's total revenues were approximately \$3.7 million, of which approximately \$3.6 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a .1% decrease in revenues and a 2.3% decrease in expenses. Property tax increased \$22,326 or approximately 1.4%. The decrease in expenses is related to decreases in negotiated salaries and benefits.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

#### Governmental Activities

Revenues for governmental activities were \$3,631,299 and expenses were \$3,097,840 for the year ended June 30, 2014. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-3						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instructional	\$ 2,182,681	\$ 2,260,407	-3.4%	\$ 1,609,476	\$ 1,611,830	-0.1%
Support	755,361	766,443	-1.4%	686,281	747,642	-8.2%
Other expenses	159,798	153,222	4.3%	53,939	(3,443)	1666.6%
Total	\$ 3,097,840	\$ 3,180,072	-2.6%	2,349,696	\$ 2,356,029	-0.3%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$316,551.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$431,593.
- The net cost of governmental activities was financed with \$1,883,565 in property and other taxes and \$971,788 in unrestricted state grants.

#### Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$116,732, representing a .002% decrease over the prior year, while expenses totaled \$125,003, a 5.5% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and state reimbursement and investment income.

During the year ended June 30, 2014, the District experienced a decrease of 12 students served by the School Nutrition program. The reduction in students served coupled with an increase in the cost of food served during the year, resulted in an overall reduction in the School Nutrition Fund net position.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Ruthven-Ayrshire Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,257,569, well above last year's ending fund balances of \$1,853,296. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2014 is due to approximately \$109,843 increase in revenues relating to an increase in the management fund levy during fiscal year 2014.

#### **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. Largely due to management maintaining a strict budget and reducing expenditures to match the decrease in General Fund revenues. The decrease in revenues was compensated enough by the District's decrease in General Fund expenditures, allowing the District to carryover a fund balance to meet its financial obligations during the next year.
- The General Fund balance increased from \$622,267 to \$856,334 due, in part, to the negotiated salaries and benefits and managing existing expenditure commitments of the District.
- The Capital Projects Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Project Fund will be used for future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy fund balance increased from \$382,646 at June 30, 2013 to \$426,973 at June 30, 2014. The increase is attributed to increases revenue from property taxes and a reduction in expenditures in the current fiscal year due to a bus purchased in the previous year.
- The Statewide Sales, Services and Use Tax fund balance increased from \$652,498 at June 30, 2013 to \$663,676 at June 30, 2014. This was due to management budgeting expenditures to match revenues.

#### **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$46,792 at June 30, 2013 to \$38,521 at June 30, 2014, representing a decrease of approximately 17.7%. For fiscal year 2014, the number of students served declined by 12 students which led to decreased revenues and the School Nutrition Fund to experience a decline in net position during the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUDGETARY HIGHLIGHTS

The District's total revenues were \$57,362 more than total budgeted revenues, a variance of less than 1.6%. Local tax revenue increased in fiscal year 2014, an increase in state resources caused the total amount received to be more than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2014, the District had invested approximately \$1,003,612, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net increase of 9.2% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation/amortization expense for the year was \$144,218.

The original cost of the District's capital assets was approximately \$2,752,256. Governmental funds account for approximately \$2,666,475, with the remainder of approximately \$85,781 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings and building improvements category. The District's building and building improvement category totaled \$1,315,480 at June 30, 2014, compared to \$1,201,831 reported at June 30, 2013. This significant increase resulted from building improvements and remodeling project during the year.

<b>Figure A-4</b>							
<b>Assets, net of Depreciation</b>							
<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total District</b>		<b>Total</b>	
<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>	
<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2013-2014</b>	
Land	\$ 10,567	\$ 10,567	\$ -	\$ -	\$ 10,567	\$ 10,567	0%
Buildings	591,960	518,935	-	-	591,960	518,935	14%
Improvements other than buildings	84,367	70,124	-	-	84,367	70,124	20%
Furniture and equipment	295,213	294,459	21,505	25,209	316,718	319,668	-1%
Total	\$ 982,107	\$ 894,085	\$ 21,505	\$ 25,209	\$ 1,003,612	\$ 919,294	9.2%

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

#### **Long-Term Debt**

At June 30, 2014, the District had \$316,252 in total long-term debt outstanding. This represents a decrease of approximately 13.0% from last year (See Figure A-5). Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

<b>Figure A-5</b>			
<b>Outstanding Long-term Obligations</b>			
<b>Total School District</b>		<b>Percentage</b>	
<b>2014</b>	<b>2013</b>	<b>Change</b>	
		<b>2013-2014</b>	
Compensated absences	\$ 5,170	\$ 1,875	175.7%
Early retirement	234,093	294,666	-20.6%
Net OPEB liability	76,989	66,801	15.3%
Total	<b>\$ 316,252</b>	<b>\$ 363,342</b>	<b>-13.0%</b>

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The Ruthven-Ayrshire County has advised the District its total taxable valuation will increase 17.4% for property tax collected in fiscal year 2014 due to the recent completion of property revaluation assessments.
- The District expects a slight decrease in enrollment due to open enrollments.
- The District continues to share academic staff with Spencer and Graettinger-Terrill Community School Districts. The District currently shares all athletic programs with Graettinger-Terrill Community School District, along with partial day sharing (grades 9-12 for 5 periods per day) of students with Graettinger-Terrill Community School District.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle Dowd, District Treasurer and Business Manager, Ruthven-Ayrshire Community School District, 1235 5<sup>th</sup> Avenue South, Fort Dodge, Iowa 50501.

## **BASIC FINANCIAL STATEMENTS**

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**



**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

**Exhibit A**

**STATEMENT OF NET POSITION**

**June 30, 2014**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 2,425,482	\$ 10,846	\$ 2,436,328
Receivables:			
Property tax:			
Delinquent	16,561	-	16,561
Succeeding year	1,309,012	-	1,309,012
Accounts	680	6,723	7,403
Income surtax	116,735	-	116,735
Due from other governments	145,214	-	145,214
Inventories	-	1,879	1,879
Capital assets, net of accumulated depreciation	982,107	21,505	1,003,612
<b>Total assets</b>	<b>\$ 4,995,791</b>	<b>\$ 40,953</b>	<b>\$ 5,036,744</b>
<b>Liabilities</b>			
Accounts payable	\$ 133,999	\$ -	\$ 133,999
Salaries and benefits payable	187,175	-	187,175
Interfund payable	6,723	-	6,723
Long-term liabilities:			
Portion due or payable within one year:			
Termination benefits	52,301	-	52,301
Compensated absences	5,170	-	5,170
Portion due or payable after one year:			
Net OPEB liability	76,989	-	76,989
Termination benefits	181,792	-	181,792
<b>Total liabilities</b>	<b>644,149</b>	<b>-</b>	<b>644,149</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	1,309,012	-	1,309,012
Other	2,471	2,432	4,903
<b>Total deferred inflows of resources</b>	<b>1,311,483</b>	<b>2,432</b>	<b>1,313,915</b>
<b>Net Position</b>			
Invested in capital assets	982,107	21,505	1,003,612
Restricted for:			
Categorical funding	174,873	-	174,873
Management levy purposes	277,907	-	277,907
Student activities	32,679	-	32,679
Physical plant and equipment	426,973	-	426,973
School infrastructure	663,676	-	663,676
Unrestricted	481,944	17,016	498,960
<b>Total net position</b>	<b>\$ 3,040,159</b>	<b>\$ 38,521</b>	<b>\$ 3,078,680</b>

See notes to financial statements.

# RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year ended June 30, 2014

		Program Revenues	
		Operating	Grants, Contributions and Restricted Interest
	Expenses	Charges for Services	
<b>Functions/Programs:</b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,568,202	\$ 183,852	\$ 246,911
Special instruction	417,287	15,532	30,883
Other instruction	197,192	60,331	35,696
	<u>2,182,681</u>	<u>259,715</u>	<u>313,490</u>
Support services:			
Student	2,995	-	-
Instructional staff	49,832	-	-
Administration	319,456	56,836	11,416
Operation and maintenance of plant	158,214	-	-
Transportation	224,864	-	828
	<u>755,361</u>	<u>56,836</u>	<u>12,244</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	10,824	-	-
AEA flowthrough	103,381	-	103,381
Depreciation (unallocated)*	45,593	-	-
	<u>159,798</u>	<u>-</u>	<u>103,381</u>
Total governmental activities	<u>3,097,840</u>	<u>316,551</u>	<u>429,115</u>
Business type activities:			
Student services:			
Operation and maintenance of plant	509	-	-
Non-instructional programs:			
Food service operations	124,494	48,069	66,375
Total business type activities	<u>125,003</u>	<u>48,069</u>	<u>66,375</u>
<b>Total</b>	<u>\$ 3,222,843</u>	<u>\$ 364,620</u>	<u>\$ 495,490</u>

Capital Grants and Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business Type Activities	Total
\$ -	\$ (1,137,439)	\$ -	\$ (1,137,439)
-	(370,872)	-	(370,872)
-	(101,165)	-	(101,165)
-	(1,609,476)	-	(1,609,476)
-	(2,995)	-	(2,995)
-	(49,832)	-	(49,832)
-	(251,204)	-	(251,204)
-	(158,214)	-	(158,214)
-	(224,036)	-	(224,036)
-	(686,281)	-	(686,281)
-	-	-	-
2,478	(8,346)	-	(8,346)
-	-	-	-
-	(45,593)	-	(45,593)
2,478	(53,939)	-	(53,939)
2,478	(2,349,696)	-	(2,349,696)
-	-	(509)	(509)
-	-	(10,050)	(10,050)
-	-	(10,559)	(10,559)
<u>\$ 2,478</u>	<u>(2,349,696)</u>	<u>(10,559)</u>	<u>(2,360,255)</u>

(Continued on next page)

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2014**

**General Revenues:**

Property taxes levied for:

General purposes

Capital outlay

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

\* This amount excludes the depreciation included in the direct expenses of various programs.

See notes to financial statements.

**Exhibit B  
(Continued)**

**Net (Expense) Revenue  
and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ 1,550,195	\$ -	\$ 1,550,195
105,557	-	105,557
227,813	-	227,813
971,788	-	971,788
4,338	2	4,340
23,464	2,286	25,750
2,883,155	2,288	2,885,443
533,459	(8,271)	525,188
2,506,700	46,792	2,553,492
\$ 3,040,159	\$ 38,521	\$ 3,078,680

See notes to financial statements.

**Exhibit C**

	<b>General</b>	<b>Capital Projects</b>	<b>Special Revenue</b>	<b>Total</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 120,730	\$ 1,894	\$ 11,375	\$ 133,999
Salaries and benefits payable	187,175	-	-	187,175
Interfund payable	-	6,723	-	6,723
<b>Total liabilities</b>	<b>307,905</b>	<b>8,617</b>	<b>11,375</b>	<b>327,897</b>
Deferred inflows of revenues:				
Succeeding year property tax	947,093	111,919	250,000	1,309,012
Income surtax	116,735	-	-	116,735
Other	2,471	-	-	2,471
<b>Total deferred inflows of resources</b>	<b>1,066,299</b>	<b>111,919</b>	<b>250,000</b>	<b>1,428,218</b>
Fund balances:				
Restricted for:				
Categorical funding	174,873	-	-	174,873
Management levy purposes	-	-	277,907	277,907
Student activities	-	-	32,679	32,679
School infrastructure	-	663,676	-	663,676
Physical plant and equipment	-	426,973	-	426,973
Unassigned	681,461	-	-	681,461
<b>Total fund balances</b>	<b>856,334</b>	<b>1,090,649</b>	<b>310,586</b>	<b>2,257,569</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,230,538</b>	<b>\$ 1,211,185</b>	<b>\$ 571,961</b>	<b>\$ 4,013,684</b>

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT****Exhibit D****RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION****June 30, 2014**

**Total governmental fund balances (page 16)** **\$ 2,257,569**

*Amounts reported for governmental activities in the Statement of Net Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. 982,107

Long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 116,735

Long-term liabilities, including compensated absences, early retirement obligations and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (316,252)

**Net position of governmental activities (page 10)** **\$ 3,040,159**

See notes to financial statements.



**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**
**Exhibit E**
**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**
**Year ended June 30, 2014**

	<b>General</b>	<b>Capital Projects</b>	<b>Special Revenue</b>	<b>Total</b>
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,304,872	\$ 105,557	\$ 251,249	\$ 1,661,678
Tuition	173,762	-	-	173,762
Other	138,101	1,641	60,312	200,054
State sources	1,275,482	227,813	-	1,503,295
Federal sources	96,007	2,478	-	98,485
<b>Total revenues</b>	<b>2,988,224</b>	<b>337,489</b>	<b>311,561</b>	<b>3,637,274</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	1,402,361	135,209	24,484	1,562,054
Special	415,555	-	-	415,555
Other	124,585	-	67,637	192,222
	<b>1,942,501</b>	<b>135,209</b>	<b>92,121</b>	<b>2,169,831</b>
Student support services:				
Student	2,995	-	-	2,995
Instructional staff	49,419	-	-	49,419
Administration	287,827	-	38,849	326,676
Operation and mainenance of plant	173,214	845	60,064	234,123
Transportation	194,820	9,275	5,826	209,921
	<b>708,275</b>	<b>10,120</b>	<b>104,739</b>	<b>823,134</b>
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	-	136,655	-	136,655
AEA flowthrough	103,381	-	-	103,381
	<b>103,381</b>	<b>136,655</b>	<b>-</b>	<b>240,036</b>
<b>Total expenditures</b>	<b>2,754,157</b>	<b>281,984</b>	<b>196,860</b>	<b>3,233,001</b>
Net change in fund balances	234,067	55,505	114,701	404,273
Fund balances, beginning of year	622,267	1,035,144	195,885	1,853,296
Fund balances, end of year	<b>\$ 856,334</b>	<b>\$ 1,090,649</b>	<b>\$ 310,586</b>	<b>\$ 2,257,569</b>

See notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**Year ended June 30, 2014**

**Change in fund balances - total governmental funds (page 18)** **\$ 404,273**

***Amounts reported for governmental activities in the Statement of Activities  
are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 228,536	
Depreciation expense	(140,514)	88,022

Income surtaxes not collected for several months after the District's fiscal year ends are not considered available revenues in the governmental funds.

(5,926)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	60,573	
Compensated absences	(3,295)	
Other postemployment benefits	(10,188)	47,090

**Change in net position of governmental activities (page 15)**

**\$ 533,459**

See notes to financial statements.

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT****Exhibit G****STATEMENT OF NET POSITION  
PROPRIETARY FUND****June 30, 2014**

	<b>School Nutrition</b>
<b>Assets</b>	
Current assets:	
Cash	\$ 10,846
Interfund receivable	6,723
Inventories	1,879
Total current assets	<u>19,448</u>
<b>Noncurrent assets:</b>	
Capital assets, net of accumulated depreciation	<u>21,505</u>
<b>Total assets</b>	<u><u>40,953</u></u>
<b>Deferred Inflows of Resources</b>	
Unearned revenue	<u>2,432</u>
<b>Net Position</b>	
Net investment in capital assets	21,505
Unrestricted	<u>17,016</u>
<b>Total net position</b>	<u><u>\$ 38,521</u></u>

See notes to financial statements.

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT****Exhibit H****STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND****Year ended June 30, 2014**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 50,355</u>
Operating expenses:	
Support services:	
Operation and maintenance of plant	<u>509</u>
Non-instructional programs:	
Food service operations:	
Salaries	41,517
Benefits	6,822
Purchased services	-
Supplies	72,451
Depreciation	<u>3,704</u>
Total operating expenses	<u>124,494</u>
Operating (loss)	<u>(74,648)</u>
Non-operating revenues:	
State sources	1,074
Federal sources	65,301
Interest income	<u>2</u>
Total non-operating revenues	<u>66,377</u>
Decrease in net position	(8,271)
Net position beginning of year	<u>46,792</u>
Net position end of year	<u><u>\$ 38,521</u></u>

See notes to financial statements.

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

**Exhibit I**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**Year ended June 30, 2014**

	<b>Nonmajor School Nutrition</b>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 43,692
Cash paid to employees for services	(48,365)
Cash paid to suppliers for goods or services	(66,112)
<b>Net cash (used by) operating activities</b>	<b>(70,785)</b>
Cash flows from non-capital financing activities:	
State grants received	1,074
Federal grants received	58,936
<b>Net cash provided by non-capital financing activities</b>	<b>60,010</b>
Cash flows from investing activities:	
Interest on investments	2
<b>Net (decrease) in cash</b>	<b>(10,773)</b>
Cash, beginning of year	21,619
Cash, end of year	<b>\$ 10,846</b>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (74,648)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Commodities used	6,228
Depreciation	3,704
Decrease in accounts receivable	60
Increase in interfund receivable	(6,723)
Decrease in inventories	620
Decrease in salaries and benefits payable	(26)
Net cash (used by) operating activities	<b>\$ (70,785)</b>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$6,228 of federal commodities.

See notes to financial statements.

## RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Summary of Significant Accounting Policies**

Ruthven-Ayrshire Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Ruthven and Ayrshire, Iowa and the predominate agricultural territory in Palo Alto County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **A. Reporting Entity:**

For financial reporting purposes, Ruthven-Ayrshire Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. Ruthven-Ayrshire Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### **B. Basis of Presentation:**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (continued)

##### Government-wide Financial Statements (continued) –

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project and Special Revenue Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Special Revenue Fund is used to account for revenue that is used specifically for an identified purpose.

The District reports the following major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting:

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and other accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting (continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.



## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities and Fund Equity (continued):

Capital Assets – Capital assets, which include property and furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50
Improvements other than buildings	20-50
Furniture and equipment	5-15

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of revenue in the Statement of Net Position consist of succeeding year property tax receivable and other receipts that will not be recognized as revenue until the year for which it was levied or the following year.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities and Fund Equity (continued):

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Obligation – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit these amounts.

*Unassigned* – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

#### F. Subsequent Events

Subsequent events have been evaluated through December 5, 2014, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

### Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2014, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2014 were as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 10,567	\$ -	\$ -	\$ 10,567
Total capital assets not being depreciated	10,567	-	-	10,567
Capital assets being depreciated:				
Buildings	1,201,831	113,649	-	1,315,480
Improvements other than buildings	213,620	19,212	-	232,832
Furniture and equipment	1,049,069	95,675	37,148	1,107,596
Total capital assets being depreciated	2,464,520	228,536	37,148	2,655,908
Less accumulated depreciation for:				
Buildings	682,896	40,624	-	723,520
Improvements other than buildings	143,496	4,969	-	148,465
Furniture and equipment	754,610	94,921	37,148	812,383
	1,581,002	140,514	37,148	1,684,368
Total capital assets being depreciated, net	883,518	88,022	-	971,540
Governmental activities capital assets, net	\$ 894,085	\$ 88,022	\$ -	\$ 982,107
<b>Business type activities:</b>				
Furniture and equipment	\$ 85,781	\$ -	\$ -	\$ 85,781
Less accumulated depreciation	60,572	3,704	-	64,276
Business type activities capital assets, net	\$ 25,209	\$ (3,704)	\$ -	\$ 21,505
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instruction:				
Regular				\$ 64,480
Other				4,205
Support services:				
Instructional staff				209
Administration				713
Operation and maintenance of plant				1,607
Transportation				23,707
				94,921
Unallocated				45,593
Total governmental activities depreciation expense				\$ 140,514
Business type activities:				
Food service operations				\$ 3,704

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Changes in Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning	Additions	Reductions	Balance End of	Due Within One Year
Governmental activities:					
Compensated absences	\$ 1,875	\$ 5,170	\$ 1,875	\$ 5,170	\$ 5,170
Termination benefits	294,666	-	60,573	234,093	52,301
Net OPEB liability	66,801	10,188	-	76,989	-
Total	\$ 363,342	\$ 15,358	\$ 62,448	\$ 316,252	\$ 57,471

#### Termination Benefits:

The District offers a voluntary early retirement plan to employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2014, the District has an obligation to 4 participants. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$60,573.

### Note 5. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$112,920, \$122,386 and \$119,522 respectively, equal to the required contributions for each year.

### Note 6. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
Enterprise, School Nutrition	Capital Projects	\$ 6,723

The Capital Projects Fund is repaying the Enterprise School Nutrition Fund for a capital asset purchased by the incorrect fund in the prior year. The balance is to be repaid by June 30, 2015.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Other Postemployment Benefit (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 20 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount contributed to the plan and changes in the District's net OPEB obligation.

Annual required contribution	\$ 48,125
Interest on net OPEB obligation	1,670
Adjustment to annual required contribution	(8,229)
Annual OPEB cost	41,566
Contributions made	(31,378)
Increase in net OPEB obligation	10,188
Net OPEB obligation beginning of year	66,801
Net OPEB obligation end of year	\$ 76,989

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$31,378 to the medical plan. Plan members eligible for benefits contributed \$3,437, or 8.1% of the premium cost.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 20,650	4%	\$ 56,196
2013	40,584	74	66,801
2014	41,566	75	76,989

## NOTES TO FINANCIAL STATEMENTS

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### **Note 7. Other Postemployment Benefit (OPEB) (Continued)**

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$270,743, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$270,743. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,162,213 and the ratio of the UAAL to covered payroll was 23.3%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 group annuity mortality table projected to 2000. Aging curve is based upon the 2006 Society of Actuaries Study.

The UAAL is being amortized over 30 years.

### **Note 8. Risk Management**

The District is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$103,381 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### Note 10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<b>Program</b>	<b>Amount</b>
Mentoring	\$ 526
Teacher salary supplement	21,708
Early Readers	10,460
Teacher Quality - Core	8,899
Teacher Quality - Professional Development	5,257
Teacher Leadership Grant	5,905
At risk	11,986
Drop out prevention	84,002
Gifted and talented	26,130
Total	<u><u>\$ 174,873</u></u>

### Note 11. Lease Commitments

The District leases office equipment under a noncancellable operating lease agreement. The lease expires in February, 2019. Total future minimum lease payments by year as of June 30, 2014 follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2015	\$ 8,104
2016	8,104
2017	8,104
2018	8,104
2019	5,403
	<u><u>\$ 37,819</u></u>

Total lease expense for the year ended June 30, 2014 was \$7,140.

### Note 12. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.



**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

## **REQUIRED SUPPLEMENTARY INFORMATION**

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT****SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
CHANGES IN BALANCES -- BUDGET AND ACTUAL --****ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND****Required Supplementary Information****Year ended June 30, 2014**

	<b>Governmental Fund Actual</b>	<b>Proprietary Fund Actual</b>	<b>Total Actual</b>
Revenues:			
Local sources	\$ 2,035,494	\$ 50,357	\$ 2,085,851
State sources	1,503,295	1,074	1,504,369
Federal sources	98,485	65,301	163,786
<b>Total revenues</b>	<b>3,637,274</b>	<b>116,732</b>	<b>3,754,006</b>
Expenditures/Expenses:			
Current:			
Instruction	2,169,831	-	2,169,831
Support services	823,134	509	823,643
Non-instructional programs	-	124,494	124,494
Other expenditures	240,036	-	240,036
<b>Total expenditures/expenses</b>	<b>3,233,001</b>	<b>125,003</b>	<b>3,358,004</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>404,273</b>	<b>(8,271)</b>	<b>396,002</b>
Balance, beginning of year	1,853,296	46,792	1,900,088
Balance, end of year	<b>\$ 2,257,569</b>	<b>\$ 38,521</b>	<b>\$ 2,296,090</b>

See accompanying independent auditor's report.

<b>Budget</b>		<b>Final to Actual Variance Favorable (Unfavorable)</b>
<b>Original</b>	<b>Final</b>	
\$ 2,234,971	\$ 2,234,971	\$ (149,120)
1,295,063	1,295,063	209,306
166,610	166,610	(2,824)
3,696,644	3,696,644	57,362
2,417,000	2,417,000	247,169
954,539	954,539	130,896
135,000	135,000	10,506
292,061	292,061	52,025
3,798,600	3,798,600	440,596
(101,956)	(101,956)	497,958
1,366,348	1,366,348	533,740
\$ 1,264,392	\$ 1,264,392	\$ 1,031,698

## **RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa Also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, \$100,000 from the instruction function to other expenditures function.

During the year ended June 30, 2014, expenditures did not exceeded the amounts budgeted and the District did not exceeded its General Fund unspent authorized budget.

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT****Schedule of Funding Progress For The Retiree Health Plan****Required Supplementary Information**

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
2010	July 1, 2009	\$ -	\$ 123,429	\$ 123,429	0.00	\$ 750,000	16.5%
2011	July 1, 2009	-	129,474	129,474	0.00	1,160,000	11.2%
2012	July 1, 2009	-	129,474	129,474	0.00	930,000	13.9%
2013	July 1, 2012	-	270,743	270,743	0.00	1,552,000	17.4%
2014	July 1, 2012	-	270,743	270,743	0.00	1,162,213	23.3%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funding status and funding progress.

See accompanying independent auditor's report.

## **SUPPLEMENTARY INFORMATION**

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**
**Schedule 1**
**Combining Balance Sheet  
Special Revenue Accounts**
**June 30, 2014**

	<b>Special Revenue Funds</b>		
	<b>Management Levy</b>	<b>Student Activity</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 275,141	\$ 43,822	\$ 318,963
Receivables:			
Property tax:			
Delinquent	2,766	-	2,766
Succeeding year	250,000	-	250,000
Accounts	-	232	232
<b>Total assets</b>	<b>\$ 527,907</b>	<b>\$ 44,054</b>	<b>\$ 571,961</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ 11,375	\$ 11,375
<b>Total liabilities</b>	<b>-</b>	<b>11,375</b>	<b>11,375</b>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	250,000	-	250,000
<b>Total deferred inflows of resources</b>	<b>250,000</b>	<b>-</b>	<b>250,000</b>
Fund balances:			
Restricted for:			
Management levy purposes	277,907	-	277,907
Student activities	-	32,679	32,679
<b>Total fund balances</b>	<b>277,907</b>	<b>32,679</b>	<b>310,586</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 527,907</b>	<b>\$ 44,054</b>	<b>\$ 571,961</b>

See accompanying independent auditor's report.



**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**
**Schedule 2**
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Special Revenue Accounts**
**Year ended June 30, 2014**

	<b>Special Revenue</b>		
	<b>Management Levy</b>	<b>Student Activity</b>	<b>Total</b>
Revenues:			
Local sources:			
Local tax	\$ 251,249	\$ -	\$ 251,249
Other	2,879	57,433	60,312
Total revenues	254,128	57,433	311,561
Expenditures:			
Current:			
Instruction:			
Regular	24,484	-	24,484
Other	-	67,637	67,637
Support services:			
Administration	38,849	-	38,849
Operation and maintenance of plant	60,064	-	60,064
Student transportation	5,826	-	5,826
Total expenditures	129,223	67,637	196,860
Excess (deficiency) of expenditures over (under) revenues	124,905	(10,204)	114,701
Fund balances beginning of year	153,002	42,883	195,885
Fund balances end of year	\$ 277,907	\$ 32,679	\$ 310,586

See accompanying independent auditor's report.

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Drama	\$ 355	\$ 488	\$ 1,500	\$ 657	\$ -
Speech	5	-	68	63	-
Basketball	8,231	4,835	7,003	-	6,063
Track	42	33	2,391	2,316	-
Golf	24	991	691	-	324
Football	4,766	2,906	7,464	-	208
Baseball	-	540	819	279	-
Wrestling	14	1,120	1,566	432	-
Volleyball	144	1,971	1,786	-	329
Softball	-	117	4,185	4,068	-
BB club	1,431	2,755	1,621	-	2,565
R/A club	3,086	6,369	7,606	-	1,849
National Honor Society	340	8,940	9,203	-	77
Music	-	1,310	-	-	1,310
Cheerleaders	13	840	2,756	1,903	-
Activity tickets	-	6,859	2,770	(4,089)	-
Book fair	735	-	-	-	735
Yearbook	12,392	3,675	2,918	(2,703)	10,446
Interest	-	-	-	-	-
Student council	5,589	1,656	2,943	-	4,302
Mentor club	2,926	-	-	(2,926)	-
Art club	649	100	-	-	749
Marketing club	876	-	32	-	844
Earth day fund raiser	883	-	-	-	883
Class of 2012	-	-	-	-	-
Class of 2013	261	-	-	-	261
Class of 2014	53	1,099	1,090	-	62
Class of 2015	68	10,829	9,225	-	1,672
Total	\$ 42,883	\$ 57,433	\$ 67,637	\$ -	\$ 32,679

See accompanying independent auditor's report.

**Combining Balance Sheet  
Capital Project Accounts**

**June 30, 2014**

	<b>Capital Projects</b>		
	<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 617,460	\$ 425,226	\$ 1,042,686
Receivables:			
Property tax:			
Delinquent	-	1,163	1,163
Succeeding year	-	111,919	111,919
Due from other governments	52,939	2,478	55,417
<b>Total assets</b>	<b>\$ 670,399</b>	<b>\$ 540,786</b>	<b>\$ 1,211,185</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities :			
Accounts payable	\$ -	\$ 1,894	\$ 1,894
Interfund payable	6,723	-	6,723
Total liabilities	6,723	1,894	8,617
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	111,919	111,919
Total deferred inflows of resources	-	111,919	111,919
Fund balances:			
Restricted for:			
School infrastructure	663,676	-	663,676
Physical plant and equipment	-	426,973	426,973
Total fund balances	663,676	426,973	1,090,649
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 670,399</b>	<b>\$ 540,786</b>	<b>\$ 1,211,185</b>

See accompanying independent auditor's report.

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Accounts**

**Year ended June 30, 2014**

	<b>Capital Projects</b>		
	<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
Revenues:			
Local sources:			
Local tax	\$ -	\$ 105,557	\$ 105,557
Other	66	1,575	1,641
State sources	227,813	-	227,813
Federal sources	-	2,478	2,478
Total revenues	<u>227,879</u>	<u>109,610</u>	<u>337,489</u>
Expenditures:			
Instruction:			
Regular instruction	117,235	17,974	135,209
Support services:			
Operation and maintenance of plant	845	-	845
Student transportation	9,275	-	9,275
Other expenditures:			
Facilities acquisition	89,346	47,309	136,655
Total expenditures	<u>216,701</u>	<u>65,283</u>	<u>281,984</u>
Excess of revenues over expenditures	11,178	44,327	55,505
Fund balances beginning of year	<u>652,498</u>	<u>382,646</u>	<u>1,035,144</u>
Fund balances end of year	<u>\$ 663,676</u>	<u>\$ 426,973</u>	<u>\$ 1,090,649</u>

See accompanying independent auditor's report.

**RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT****Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds****For the Last Ten Years**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Revenues:				
Local sources:				
Local tax	\$ 1,661,678	\$ 1,841,074	\$ 1,794,684	\$ 1,667,499
Tuition	173,762	189,277	176,534	207,412
Other	200,054	184,030	149,757	104,608
Intermediate sources	-	136	-	-
State sources	1,503,295	1,304,497	1,315,973	1,143,361
Federal sources	98,485	106,681	131,829	169,723
Total revenues	\$ 3,637,274	\$ 3,625,695	\$ 3,568,777	\$ 3,292,603
Expenditures:				
Instruction:				
Regular	\$ 1,562,054	\$ 1,559,984	\$ 1,380,009	\$ 1,553,743
Special	415,555	447,224	412,878	331,994
Other	192,222	177,574	425,873	316,561
Support services:				
Student	2,995	22,450	8,764	12,189
Instructinal staff	49,419	26,979	30,594	29,980
Administration	326,676	380,764	325,393	309,069
Operation and maintenance	234,123	185,757	225,909	208,660
Transportation	209,921	240,387	118,837	98,824
Other expenditures:				
Facilities acquisition	136,655	119,573	276,729	89,379
AEA flowthrough	103,381	101,243	100,313	104,924
Total expenditures	\$ 3,233,001	\$ 3,261,935	\$ 3,305,299	\$ 3,055,323

See accompanying independent auditor's report.

## Schedule 6

<b>Modified Accrual Basis</b>					
<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 1,408,293	\$ 1,323,754	\$ 1,212,129	\$ 1,205,671	\$ 954,979	\$ 1,032,929
209,818	208,051	267,383	272,804	170,261	158,525
203,185	153,499	148,381	137,809	212,767	207,778
-	-	3,935	-	1,510	-
1,050,614	1,228,097	1,224,108	1,005,190	987,297	1,012,684
290,168	94,832	99,212	103,754	111,990	107,936
<b>\$ 3,162,078</b>	<b>\$ 3,008,233</b>	<b>\$ 2,955,148</b>	<b>\$ 2,725,228</b>	<b>\$ 2,438,804</b>	<b>\$ 2,519,852</b>
\$ 1,392,253	\$ 1,381,956	\$ 1,299,942	\$ 1,254,302	\$ 1,168,249	\$ 1,086,146
374,588	401,794	362,575	361,057	253,347	274,288
442,495	403,115	382,480	269,209	259,477	249,753
7,063	10,890	6,950	59,213	54,978	54,654
25,883	28,572	22,504	25,789	24,005	18,141
309,033	280,057	291,181	306,552	271,653	311,179
225,718	206,562	212,965	179,692	168,820	171,899
116,069	20,397	109,036	94,943	91,962	103,514
234,072	110,349	48,652	119,396	65,160	105,492
103,600	91,949	87,320	81,279	78,274	85,406
<b>\$ 3,230,774</b>	<b>\$ 2,935,641</b>	<b>\$ 2,823,605</b>	<b>\$ 2,751,432</b>	<b>\$ 2,435,925</b>	<b>\$ 2,460,472</b>



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

To the Board of Education of  
Ruthven-Ayrshire Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ruthven-Ayrshire Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ruthven-Ayrshire Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ruthven-Ayrshire Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ruthven-Ayrshire Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ruthven-Ayrshire Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Ruthven-Ayrshire Community School District's Responses to the Findings

Ruthven-Ayrshire Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Ruthven-Ayrshire Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Scharr & Company, LLP*

Fort Dodge, Iowa  
December 5, 2014



**Ruthven-Ayrshire Community School District**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2014**

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) No significant deficiencies or material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**Internal Control Deficiencies:**

No matters were noted.

**Instances of Non-compliance:**

No matters were noted.

**Part III: Other Findings Related To Required Statutory Reporting:**

- III-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 did not exceed the certified budget amounts.
- III-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- III-C-14 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- III-D-14 Business Transactions – No business transactions between the District and District officials or employees were noted.
- III-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- III-F-14 Board Minutes – No transactions requiring board approval that had not been approved by the board were noted.

**Schedule of Findings and Questioned Costs  
(Continued)**

**Year ended June 30, 2014**

- III-G-14 Certified Enrollment – The number of resident students reported to the Iowa Department of Education on the Certified Enrollment Certification Form of October 2013 was understated by 2.0 students. The number of tuition-out students was understated by 1.0 students.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response – We will contact the Iowa Department of Education and the Department of Management deemed necessary.

Conclusion – Response accepted.

- III-H-14 Supplemental Weighting –Variances in courses and operational sharing impacting the supplemental weighting certified to the Iowa Department of Education were noted.

Recommendation – The District should contact the Iowa Department of Education to resolve this matter.

District Response – We will contact the Iowa Department of Education.

Conclusion – Response accepted.

- III-I-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- III-J-14 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

- III-K-14 Categorical Funding –No instances were noted of categorical funding being used to supplant rather than supplement other funds were noted.

**Schedule of Findings and Questioned Costs  
(Continued)**

**Year ended June 30, 2014**

- III-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	652,498
Revenues/transfers in:			
Statewide sales, service and use tax revenue	\$	227,813	
Other		<u>66</u>	227,879
Expenditures/transfers out:			
School infrastructure		85,515	
Equipment		117,960	
Vehicle		9,275	
Other		<u>3,951</u>	216,701
Ending balance		\$	<u><u>663,676</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.